

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 SSO-00 INRE-00 STR-04 AID-05 CEA-01
CIAE-00 COME-00 EB-07 EA-07 FRB-03 INR-07 IO-13
NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04
EPG-02 SIL-01 AGRE-00 OMB-01 USIE-00 /083 W
-----112051Z 024588 /66
O 111926Z MAY 77
FM USMISSION OECD PARIS
TO SECSTATE WASH DC IMMEDIATE 6582

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E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: TRADE PLEDGE

THE FOLLOWING IS THE TEXT OF A LETTER FROM TRADE
COMMITTEE CHAIRMAN STEEG TO MEMBERS OF THE COMMITTEE
PROVIDING A FIRST DRAFT OF A REPORT TO ACCOMPANY THE
RENEWAL OF THE TRADE PLEDGE WHICH SHE HOPES TO HAVE
APPROVED AT THE TRADE COMMITTEE MEETING MAY 23-24.
COMMENTS ON THIS PAPER ARE REQUESTED TO BE FORWARDED
TO STEEG HERSELF AND TO OECD TRADE DIRECTOR POINCILIT
BY MAY 18 SO THAT THE TRADE COMMITTEE WILL BE ABLE TO
CONSIDER A SECOND DRAFT OF THIS REPORT.

BEGIN TEXT OF LETTER:

AT THE LAST MEETING OF THE TRADE COMMITTEE IT WAS
AGREED THAT I SHOULD, IN CONSULTATION WITH DELEGATIONS,
TAKE THE NECESSARY STEPS IN ORDER TO EXPEDITE THE
PREPARATORY WORK WHICH WOULD ENABLE THE COMMITTEE, AT
ITS FORTHCOMING SESSION ON 23RD AND 24TH MAY, TO
FORMULATE ITS RECOMMENDATION TO THE COUNCIL ON THE
FUTURE OF THE TRADE PLEDGE.

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I FELT THAT AN APPROPRIATE WAY TO DISCHARGE THIS DUTY
WOULD BE TO LET YOU HAVE BY MEANS OF THIS LETTER, AND
IN A VERY INFORMAL WAY, A FIRST DRAFT OF A REPORT BY
THE TRADE COMMITTEE TO THE COUNCIL. I HAVE THEREFORE
TRIED MY HAND IN THE ATTACHED DRAFT WHICH ATTEMPTS TO
TAKE INTO ACCOUNT THE VIEWS EXPRESSED BY THE DIFFERENT

DELEGATIONS. MY AIM IS QUITE NATURALLY TO ARRIVE AT A UNANIMOUS REPORT AND RECOMMENDATION TO THE COUNCIL. IF THIS COULD BE ACHIEVED, AND IF THE REPORT IS SUBSEQUENTLY ENDORSED BY THE COUNCIL, WE WOULD DISPOSE OF A TEXT WHICH WOULD BE OF HELP IN INTERPRETING THE DECLARATION, IF EXTENDED BY MEMBER GOVERNMENTS, FOR THE PERIOD AHEAD OF US.

YOU WILL SEE THAT THE TEXT COVERS IN SOME DETAIL ONLY QUESTIONS WHICH ARE LINKED TO OUR PREOCCUPATIONS AND COMPETENCE AS MEMBERS OF THE TRADE COMMITTEE. AS I UNDERSTOOD WE ALL AGREED, THE WIDER ECONOMIC AND FINANCIAL ISSUES MUST BE LEFT TO THOSE BODIES OF THE ORGANISATION WHICH ARE COMPETENT TO DEAL WITH THEM AND WOULD ON THE BASIS OF DELIBERATIONS IN THOSE BODIES FIND THEIR PROPER REFLECTION IN THE CONCLUSIONS OF THE COUNCIL AT MINISTERIAL LEVEL.

I WOULD BE GRATEFUL TO HAVE YOUR REACTIONS AND COMMENTS AT THE EARLIEST POSSIBLE DATE, SO AS TO BE ABLE TO PRESENT A REVISED DRAFT AT THE MEETING OF THE COMMITTEE. COULD I PLEASE HAVE YOUR REPLIES BY WEDNESDAY 18TH MAY. IT WOULD EXPEDITE MATTERS IF THESE COULD BE DESPATCHED SIMULTANEOUSLY TO MY OFFICE AND TO THE SECRETARIAT (FOR THE ATTENTION OF MR. POINCILIT).

END TEXT OF LETTER.

BEGIN TEXT OF DRAFT REPORT:
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THE TRADE PLEDGE

DRAFT REPORT BY THE TRADE COMMITTEE

1. ON THE OCCASION OF THE LAST RENEWAL OF THE DECLARATION WHICH GOVERNMENTS OF OECD MEMBER COUNTRIES HAD INITIALLY ADOPTED ON 30TH MAY, 1974, THE COUNCIL AT MINISTERIAL LEVEL AGREED IN JUNE 1976 "TO REVIEW THE SITUATION AND TO EXAMINE ANY APPROPRIATE PROPOSALS WELL IN ADVANCE OF THE EXPIRY OF THE DECLARATION IN 1977". THIS DECISION PROVIDED THE BASIS FOR THE WORK UNDERTAKEN BY THE TRADE COMMITTEE SINCE NOVEMBER 1976 WHICH, AFTER AN EXAMINATION OF VARIOUS OPTIONS AT HAND, HAS LED TO THE RECOMMENDATION SET OUT IN THE PRESENT REPORT.

2. THE EXAMINATION BY THE TRADE COMMITTEE WAS CARRIED

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INFO OCT-01 ISO-00 SSO-00 INRE-00 STR-04 AID-05 CEA-01
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OUT AGAINST THE BACKGROUND OF THE ASSESSMENTS MADE
WITHIN THE ORGANISATION ON THE EVOLUTION IN THE
ECONOMIC SITUATION SINCE LAST SUMMER AND OF THE
MEDIUM-TERM STRATEGY FOR THE ATTAINMENT OF SUSTAINED
NON-INFLATIONARY ECONOMIC GROWTH IN THE OECD AREA
WHICH THE COUNCIL AT MINISTERIAL LEVEL ADOPTED LAST
YEAR. THE TRADE COMMITTEE FOUND THAT, WHILE IN
SEVERAL RESPECTS THE ECONOMIC SITUATION WAS DIFFERENT
FROM THAT WHICH PREVAILED AT THE TIME OF THE ADOPTION
OF THE TRADE PLEDGE, IT WAS STILL CHARACTERISED BY
RATHER EXCEPTIONAL DIFFICULTIES AND DIVERGENCIES IN
MEMBER COUNTRIES' SITUATIONS, AND THAT THE RISK
REMAINED THAT UNILATERAL TRADE AND OTHER CURRENT
ACCOUNT MEASURES COULD TOUCH OFF CHAIN REACTIONS OF
PROTECTIONISM. IT AGREED THEREFORE ON THE NEED TO
MAINTAIN A SPECIFIC EXPRESSION OF POLITICAL COMMITMENT
TO AN OPEN AND MULTILATERAL TRADING SYSTEM. THE TRADE
COMMITTEE FURTHERMORE AGREED THAT SUCH A COMMITMENT
AND RELATED DISCIPLINES HAD TO BE CONSIDERED AS AN
IMPORTANT SUPPORTING FACTOR IN THE FRAMEWORK OF THE
MEDIUM-TERM STRATEGY FOR THE ATTAINMENT OF SUSTAINED
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NON-INFLATIONARY ECONOMIC GROWTH IN THE OECD AREA.

3. THE IMPLEMENTATION OF THIS STRATEGY WILL BE A CENTRAL THEME FOR MINISTERIAL CONSIDERATION THIS YEAR. THIS WILL PROVIDE THE APPROPRIATE WIDER CONTEXT FOR THE DECISION CONCERNING THE FUTURE OF THE TRADE PLEDGE AND FOR TREATING INTERRELATED PROBLEMS WHICH DO NOT FALL WITHIN THE COMPETENCE OF THE TRADE COMMITTEE, SUCH AS THE DIVERGENCIES IN ECONOMIC PERFORMANCE AMONG MEMBER COUNTRIES AND THE PERSISTENCE OF SERIOUS BALANCE-OF-PAYMENTS PROBLEMS IN VARIOUS COUNTRIES. WHILE IT IS OF THE FOREMOST IMPORTANCE TO DEVISE APPROPRIATE POLICIES TO DEAL WITH THESE PROBLEMS, CARE SHOULD BE TAKEN TO AVOID LAPSING IN THE TRADE FIELD INTO "CONDITIONAL LIBERALISM" SINCE MAINTAINING AN OPEN AND MULTILATERAL TRADING SYSTEM IS IN ITSELF AN ESSENTIAL ELEMENT OF THOSE POLICIES.

4. THE INCREASE IN PROTECTIONIST PRESSURES WHICH IS AT PRESENT OBSERVED IS MAINLY DUE TO THE PERSISTENCE OF HIGH LEVELS OF UNEMPLOYMENT AND PARTICULAR DIFFICULTIES IN CERTAIN SECTORS WHICH CANNOT BE CURED OVERNIGHT. INTERVENTION IN THE PLAY OF MARKET FORCES UNDER FAIR AND EQUITABLE CONDITIONS OF COMPETITION IN INTERNATIONAL TRADE RETARDS THE ADJUSTMENT PROCESS AND, IN ANYTHING BUT THE VERY SHORT TERM, WILL NOT CONTRIBUTE TO OPTIMAL SOLUTIONS TO THE PROBLEMS OF ECONOMIC MANAGEMENT ON THE NATIONAL LEVEL. ON THE INTERNATIONAL LEVEL, SUCH INTERVENTION, IF CARRIED OUT UNILATERALLY AND NOT CIRCUMSCRIBED BY AND EMBEDDED IN SOME MULTILATERAL UNDERSTANDING, CARRIES THE RISK OF PROLIFERATION WITH LARGE NEGATIVE IMPLICATIONS FOR THE ACHIEVEMENT OF GENERALLY ACCEPTED ECONOMIC AIMS.

5. IT MAY BE RECALLED THAT, IN ADDITION TO UNDERLINING THE NEED FOR AN ACTIVE USE OF THE PROCEDURES FOR LIMITED OFFICIAL USE

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CONSULTATION WITH REGARD TO TRADE AND OTHER CURRENT TRANSACTIONS, THE COMMENTS WHICH WERE ADOPTED WHEN RENEWING THE TRADE PLEDGE IN 1975 STRESSED THAT AD HOC CONSULTATIONS COULD FACILITATE THE PURSUIT OF POSITIVE AND MUTUALLY ACCEPTABLE SOLUTIONS WHEN SEVERAL COUNTRIES ARE CONFRONTED WITH THE SAME STRUCTURAL OR SECTORAL PROBLEMS. THESE COMMENTS REMAIN CERTAINLY VALID AND ACQUIRE ADDED IMPORTANCE UNDER PRESENT CONDITIONS.

6. THE BASIC IDEA OF THE TRADE PLEDGE THAT THE BURDEN

OF ADJUSTMENT SHOULD NOT BE SHIFTED TO OTHERS REMAINS ENTIRELY APPLICABLE UNDER PRESENT ECONOMIC CONDITIONS AND ACQUIRES EVEN ADDED IMPORTANCE IN THE LIGHT OF THE OBJECTIVES OF THE MEDIUM-TERM STRATEGY FOR THE ATTAINMENT OF SUSTAINED NON-INFLATIONARY ECONOMIC GROWTH. THIS IMPLIES THAT EVERY EFFORT BE MADE TO ACHIEVE THE ADJUSTMENT WITH MEASURES WHICH AVOID OR MINIMIZE DISTORTIONS TO TRADE. THOSE FACING THE ADJUSTMENT PROBLEMS SHOULD ON THE OTHER HAND BE ABLE TO COUNT, IN THE FRAMEWORK OF INTERNATIONAL ECONOMIC CO-OPERATION, ON THE UNDERSTANDING OF AND POSSIBLY ON SUPPORT FROM OTHER MEMBER COUNTRIES. CONSULTATIONS CONDUCTED IN

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NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04
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THIS SPIRIT ARE INDEED NEEDED IN ORDER TO FIND AND IMPLEMENT MULTILATERALLY ACCEPTABLE SOLUTIONS TO TRADE PROBLEMS IN A MANNER WHICH TAKES INTO ACCOUNT THE INTERESTS OF ALL CONCERNED. IN THE CASE OF SECTORAL PROBLEMS, EVERY EFFORT SHOULD BE MADE TO IDENTIFY SUCH PROBLEMS BEFORE THEY ASSUME CRITICAL PROPORTIONS AND TO PROCEED TO CONSULTATIONS IN THEIR REGARD.

7. BILATERAL CONTACTS ARE AN APPROPRIATE AND VALUABLE TOOL FOR THE DISCUSSION OF MANY TRADE PROBLEMS AND ARRANGEMENTS REACHED ON THAT LEVEL CAN CONTRIBUTE

TO THEIR SOLUTION. SUCH ARRANGEMENTS MAY HOWEVER AFFECT AND GIVE RISE TO QUESTIONS FROM TRADE PARTNERS WHO ARE NOT DIRECTLY INVOLVED IN THEM. IT SHOULD BE UNDERSTOOD THAT SUCH BILATERAL ARRANGEMENTS WOULD BE LIABLE TO MULTILATERAL CONSULTATIONS.

8. ON THE BASIS OF THE FOREGOING REMARKS THE TRADE COMMITTEE RECOMMENDS THAT THE TRADE DECLARATION OF 30TH MAY, 1974 SHOULD AGAIN BE RENEWED AND THAT THE LIMITED OFFICIAL USE

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CONSULTATION PROCEDURES SHOULD BE STRENGTHENED IN ACCORDANCE WITH THE CONSIDERATIONS SET OUT IN THIS REPORT. (IT FURTHERMORE RECOMMENDS THAT THE VALIDITY OF THE DECLARATION SHOULD BE EXTENDED FOR A PERIOD OF TWO YEARS. THIS PARTICULAR RECOMMENDATION IS BASED ON THE ARGUMENT THAT THE DISCIPLINES OF THE DECLARATION CONSTITUTE AN IMPORTANT SUPPORTING FACTOR OF THE ECONOMIC MEDIUM-TERM STRATEGY OF THE OECD COUNTRIES WHICH COMES TO BEAR IN A LONGER PERIOD THAN THE ONE-YEAR INTERVALS HITHERTO APPLIED FOR THE RENEWAL OF THE PLEDGE AND FURTHERMORE THAT WITHIN THE RECOMMENDED PERIOD, DEVELOPMENTS IN THE FRAMEWORK OF THE ONGOING MULTILATERAL TRADE NEGOTIATIONS WILL PROVIDE A BETTER BASIS FOR AN ASSESSMENT OF ANY NECESSARY FOLLOW-UP ACTION TO THE DECLARATION.)

9. FINALLY, THE TRADE COMMITTEE WISHES TO DRAW THE ATTENTION OF THE COUNCIL TO PROGRESS ACHIEVED IN MULTILATERAL CO-OPERATION CONCERNING EXPORT CREDITS, AN AREA WHICH HAS BEEN SINGLED OUT IN THE TRADE PLEDGE BECAUSE OF ITS PARTICULAR IMPORTANCE. THE COUNCIL AT MINISTERIAL LEVEL AGREED LAST YEAR TO REINFORCE THE ORGANIZATION'S ACTIVITIES IN THIS FIELD AND TO EXAMINE THESE ACTIVITIES AT REGULAR INTERVALS. THE ATTACHED REPORT OF THE CHAIRMAN OF THE GROUP ON EXPORT CREDITS AND CREDIT GUARANTEES DESCRIBES THE RESULTS ACHIEVED AND THE ACTIVITIES PLANNED FOR THE REST OF THE YEAR. IT GIVES GROUND FOR SATISFACTION THAT 17 OUT OF THE 22 MEMBER COUNTRIES REPRESENTED IN THE GROUP ARE NOW FOLLOWING COMMON GUIDELINES FOR THE EXTENSION OF OFFICIALLY SUPPORTED EXPORT CREDITS. THE COUNCIL MAY WISH TO ENCOURAGE THE REMAINING FIVE COUNTRIES TO JOIN THE CONSENSUS REACHED BY THE OTHERS. THOSE COUNTRIES WHICH AT PRESENT APPLY THE CONSENSUS ONLY UNTIL THE 30TH JUNE, 1977 WILL HOPEFULLY ACCEPT THE RECOMMENDATION MADE TO THEM TO EXTEND THIS PERIOD UNTIL THE END

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OF THE YEAR. A REVIEW EXERCISE IS ANTICIPATED TO TAKE
PLACE AMONG THE PARTICIPANTS IN THE CONSENSUS IN THE
SECOND HALF OF 1977; IT WOULD INCLUDE THE DISCUSSION OF
POSSIBLE IMPROVEMENTS OF THE SUBSTANCE OF THE
CONSENSUS.

END TEXT OF DRAFT REPORT.
KATZ

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Message Attributes

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Decaption Note:
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Disposition Approved on Date:
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Office: ACTION EUR
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TAGS: ETRD, OECD
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